

Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 AID-05 L-02 COME-00 TRSE-00

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5254

UNCLAS NEW DELHI 15418

PASS TO OPIC FOR KATZ

E.O. 11652: N/A

SUBJECT: PIBCO COOLEY LOAN 386-E-179

REF: (A) STATE 23609 (B) NEW DELHI 14625

(C) NEW DELHI 5206 (D) STATE 247915

1. MISSION CONCURS IN OPIC POSITION STATED IN PARA 2 REF D.

2. PARA 3 REF D REGARDING FULFILMENT OF JM OBLIGATION TO PIBCO CANNOT BE ACCEPTED BY MISSION. THERE IS MUCH MORE THAT JM SHOULD DO TO MAKE PIBCO WORKABLE. IN FACT THERE IS MUCH MORE WE COULD REQUIRE THEM TO DO WITHIN THE FRAMEWORK OF THE COLLABORATION AGREEMENT AND OTHER UNDETAKINGS WHICH MAKE UP THIS LOAN. IT SHOULD BE RECOGNIZED THAT THE PROJECT AS DEFINED IN THE LOAN IS A PLANT WHICH IS CAPABLE OF PRODUCING 13,000 TONS PER ANNUM OF PRODUCT. THE PROJECT IS LESS THAN HALF COMPLETE PHYSICALLY, AND PRODUCTION FROM THE EXISTING PLANT IS BARELY 15 PERCENT OF THE 13,000 TON GOAL. SO, FOR JM TO TALK, AT THIS POINT IN TIME, OF 1-2 MAN MONTHS OF FOREIGN TECHNICAL ASSISTANCE CANNOT IN ANY WAY BE CONSIDERED TO FULLY MEET JM'S OBLIGATION UNDER THE LOAN AGREEMENT, OR ANY OTHER AGREEMENT

IT HAS WITH PIBCO THAT WE KNOW OF. WE WOULD CONSIDER THIS ONLY THE FIRST STEP BY JM IN MAKING PIBCO VIABLE.

3. IN A MEETING TODAY WITH S N PUNJ, KINGERY QUESTIONED HIM ABOUT JM TECHNICAL COLLABORATION, AND BOARD MEMBERSHIP. PUNJ REVEALED UNCLASSIFIED

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HAT MOTTIER AND PSTYN WERE ON THE PIBCO BOARD, A FACT THAT WE WERE

NOT AWARE OF HERE. WHEN ASKED IF HE WAS STILL INTERESTED IN HAVING GIROUARD ON THE BOARD PUNJ STATED THAT HE WAS, AND FURTHERMORE WOULD TAKE HIM EVEN IF IT MEANT THAT BOARD MEMBERSHIP HAD TO BE SPLIT 50-50 BETWEEN PIBCO AND JM. HE DID INDICATE THAT POSTYN WOULD BE FREE TO RESIGN IF JM AGREED. THE IMPORTANT POINT IS THAT HE WANTS GIROUARD. WHEN QUESTIONED ABOUT THE IDEA OF A JM EXPERT AS PLANT MANAGER UNTIL THE OPERATION COULD BE SET RIGHT, HE SAID THAT PIBCO WOULD WELCOME ANYTHING JM WAS WILLING TO DO TO GET THE PLANT WORKING. THE JM MAN COULD BE PLANT MANAGER, DIRECTOR, WHATEVER WE WANTED TO CALL HIM. HE STATED THAT A PERIOD OF YEAROULD PROBABLY BDHQI FD, WITH ANYAHERE FOM SIX TO NINEMONTHS OF JM RESIDENCE TIME NECESSARY.

4. AS THE MISION SEES IT, PIBCO IS WILLING TO ACCEPT ANY HELP THAT JM CAN GIVE. (FYI ONLY: ON 10 APRIL 1968, AN OVERRUN COMMITMENT WAS SIGNED, JOINTLY AND SEVERALLY, BY S N AND V P PUNJ, AND JM, WHEREIN THEY AGREE TO PUT UP THE MONEY IN EXCESS OF RS. 8 MILLION THAT IS REQUIRED TO FINISH THE PROJECT AS DEFINED IN THE LOAN AGREEMENT. THIS COMMITMENT IS TO BE MET UPON AID'S WRITTEN REQUEST, REGARDLESS OF THE CIRCUMSTANCE OR CAUSE OF THE OVERRUN. WE ARE KEEPINT THIS IN OUR HIP POCKET, AND WILL PLAY THE CARD AT THE PROPER TIME. END FYI.) WHILE WE CANNOT QUALIFY IT, THERE IS ALSO THE QUESTION OF, SOONER OR LATER, THE NEED FOR FOREIGN EXCHANGE TO PROCURE COMPONENTS NECESSARY TO ENSURE MEETING PRODUCTION GOALS. WE WOULD HOPE TO NOT HAVE TO EXERCISE THE OVERRUN COMMITMENT TO ACCOMPLISH THIS. IF JM IS WILLING TO TALK ABOUT ALL THIS IN REASONABLE FASHION, HERE IN DELHI WITH PIBCO AND MISSION OFFICIALS, AND THERE IS, IN YOUR OPINION, A CHANCE THAT SOMETHING WILL COME OF SUCH A MEETING, WE WILL GO AHEAD WITH IT AND FURTHER DELAY CALLING THE LOAN. IF IT IS CLEAR, HOWEVER, THAT JM IS UNWILLING TO GIVE MORE THAN 1-2 MAN MONTHS OF HELP, THEN WE CAN ONLY CONCLUDE THAT JM DOES NOT WANT TO SEE THE PROJECT THROUGH TO FULFILMENT OF THE LOAN OBJECTIVES. AT THAT TIME, THEN, WE WOULD PROCEED WITH THE CALL. PLEASE CONTACT JM AND ADVISE US OF RESULTS.MOYNIHAN

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